

EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE

MINUTES OF THE NOVEMBER 12, 2008 PENSION BOARD MEETING

1. Call to Order

Chairman Dr. Dean Roepke called the meeting to order at 8:35 a.m. in the Green Room of the Marcus Center, 127 East State Street, Milwaukee, Wisconsin 53202.

2. Roll Call

Members Present:

Linda Bedford (Vice Chair)

Roy Felber

Mickey Maier

Jeffrey Mawicke

Marilyn Mayr

Dr. Sarah Peck

Dr. Dean Roepke (Chairman)

Members Excused:

Donald Cohen

Others Present:

David Arena, Director of Employee Benefits, Department of Administrative Services

Mark Grady, Principal Assistant Corporation Counsel

Gerald J. Schroeder, ERS Manager

Vivian Aikin, ERS Administrative Specialist

Dale Yerkes, Assistant to the Fiscal Officer

Sushil Pillai, V3 Project Manager

Bess Frank, Ad Hoc Oversight Committee

Steven Huff, Reinhart Boerner Van Deuren s.c.

Leigh Riley, Foley & Lardner LLP

Chris Trebatoski, Weiss Berzowski Brady LLP

Kristin Finney-Cooke, Mercer Investment Consulting

Timothy Holihen, JPMorgan Asset Management

Jason Ciaglo, JPMorgan Asset Management

Yvonne Mahoney, Retiree

Steve Schultze, Reporter, *Milwaukee Journal Sentinel*

3. Chairman's Report

(a) Status of RFP for Investment Consulting Services

The Chairman discussed the status of the investment consulting request for proposal. He reported that four investment consulting firms made presentations to

the evaluation panel on November 6 and 7. He indicated that the evaluation panel will meet on November 24 at 5 p.m. to evaluate the candidates further.

(b) Audit Committee Membership

The Chairman indicated that currently he is the only member of the Audit Committee and the Audit Committee cannot convene with only one member. He stated that for the time being, there will be no Audit Committee meetings. He asked if any Pension Board member would like to participate on the Audit Committee. He noted that the Audit Committee normally meets on the fourth Thursday of every month at 2:30 p.m., but the meeting time could be changed to accommodate other members' schedules.

4. Minutes of the October 15, 2008 Pension Board Meeting

(a) October 15, 2008 Pension Board Meeting

The Pension Board reviewed the minutes of the October 15, 2008 Pension Board meeting. Mr. Maier pointed out that Ms. Mayr, rather than he, seconded the motion under item 12 of the minutes.

The Pension Board unanimously agreed to approve the minutes of the October 15, 2008 Pension Board meeting with the correction made under item 12. Motion by Mr. Felber, seconded by Ms. Mayr.

(b) Minutes of the October 21 Special Pension Board Meeting

The Pension Board reviewed the minutes of the special October 21, 2008 Pension Board meeting.

The Pension Board voted by roll call vote, 5-0-1, with Ms. Mayr abstaining due to her absence from the October 21, 2008 Pension Board meeting, to approve the minutes of the October 21, 2008 Pension Board meeting. Motion by Mr. Maier, seconded by Ms. Beford.

5. Reports of Employee Benefits Director, ERS Manager and Fiscal Officer

(a) Retirements Granted

Mr. Schroeder presented the Retirements Granted Report for October 2008. He reported that 21 retirements were granted in October, noting that 7 retirees elected backDROPs in amounts totaling \$1,582,901.

(b) ERS Monthly Activities Report and Cash Flow Report

Mr. Schroeder reported that the pension counselors positions are fully staffed and that training and testing are well underway for the V3 System go live date. He indicated that the Retirement Office scored 92% on a complex case scenario administered during systems testing. He stated he was happy with the results, considering the errors were minor and primarily due to navigational errors.

Mr. Schroeder noted that a substantial number of employees have been utilizing the toll free ERS information line. He stated that he expects between 150 and 200 employees to attend the preretirement session next month in Washington Park. He commented that he anticipates ERS will pay out approximately \$5 million less in benefit payments this year compared to 2007.

Mr. Yerkes reviewed the ERS cash flow report on behalf of the Fiscal Officer. He indicated that the recommendation is the same as it was last month. He stated that ERS will need \$10 million per month for benefit payments in November and December 2008. He anticipates that the County contributions to ERS will be received in February through June 2009.

(c) Internet Voting

Mr. Arena discussed the topic of internet voting. He indicated that there are growing impediments to in-person voting. He asked for the Board's support in pursuing alternatives to in-person voting. He pointed out that it is more difficult to find volunteers for polling places, and that the County switched to using the internet for items such as open enrollment for health and other benefits. He noted that kiosks are available for employees who do not have access to a computer. He stated that online voting will increase voter participation and will result in cost savings.

In response to a question from the Chairman, Mr. Arena stated that the lost opportunity cost by having County employees vote during work hours is included in the cost estimate of an in-person vote. Mr. Arena stated that he has been approached by a company, VoteNet, that offers internet voting services. In response to a question from Mr. Felber, Mr. Schroeder stated that he believes the cost of internet voting will be under \$4,500 per election.

Mr. Felber asked how the voting percentage statistics were calculated. Mr. Schroeder reported that the 10% in-person voting figure was calculated by using historical Pension Board election data and the 50% estimated figure for internet voting was calculated using VoteNet data and the company's experience running these types of elections.

Mr. Felber stated that he remembers that the Pension Board voted on this topic earlier this year. Mr. Schroeder indicated that the previous Pension Board action did not take internet voting into account, only in-person and mail ballots. Mr. Felber commented that the Board has had inadequate time to prepare for this topic, because the information was just received by the Pension Board. The Chairman replied that there are deadlines to distribute and receive the election nomination papers, which requires action on the Board's part on this issue.

Mr. Mawicke pointed out that internet voting would rely on an internet connection, which could fail during the election. He also inquired whether there would be a back-up plan in place in case the internet connection or website fails. He asked why in-person voting has been such a problem and why the in-person voting process could not be streamlined and improved. He inquired whether internet voting provides more fraud safeguards than mailed ballots. The Chairman stated that voting security is an important fiduciary concern.

Mr. Arena requested that Mr. Pillai comment on the issue of internet voting security. Mr. Pillai stated that internet security and reliability are high for internet hosting in general and VoteNet in particular. He described the safeguards that online voting provides. He discussed his experience with other entities regarding voting registration. Mr. Felber expressed his concern over various scenarios that could arise with internet voting and asked who decides the voting protocol. The Chairman stated that the Pension Board decides the internet voting protocol.

In response to a question from Mr. Maier, Mr. Arena stated that ERS would pay the estimated \$4,500 VoteNet cost. Mr. Arena stated that ERS and the County both pay some of the costs of an on-site election.

Ms. Riley discussed the problems with the roving voting vans. She pointed out that employees at these remote locations are only offered a limited window of time to vote. She indicated that it would be very beneficial to have up to ten hours to vote. Mr. Felber reported that there was no polling place at the airport and that he and others drove to the courthouse on their own time to vote. He also noted that there are no kiosks at the airport.

A motion was made to use internet voting for the next Pension Board member election, on a test basis. Motion by Mr. Maier, seconded by Dr. Peck. No action was taken on this motion.

Mr. Felber inquired about the precise language of the motion adopted in March or April. Mr. Huff stated that the motion from the April 16, 2008 Pension Board meeting minutes read as follows: "The Pension Board unanimously agreed to continue to use, but improve the process of, in-person voting to elect employee members of the Pension Board. Motion by Ms. Mayr, seconded by Mr. Felber."

Ms. Mayr stated that there is not enough data to make an informed decision at the present time, including cost studies and plans. She pointed out that there is no reason to rush the decision because there will be elections in 2010 and 2011. Ms. Bedford commented that there is enough information to make a decision. Mr. Maier stated that internet voting is a low cost alternative, has been used successfully in a variety of contexts and the in-person current participation rate of 10% is too low. Mr. Arena stated that internet voting would reduce the cost of the burdensome in-person administrative process.

Mr. Felber stated that the Pension Board has had inadequate time to address this issue and suggested that the Pension Board should lay over the issue until a future meeting. Mr. Grady indicated that Mr. Felber is correct and the Retirement Office does not need to know before the December 17 meeting whether the election will be conducted using an internet voting process. Mr. Arena stated that it is okay if the Board wants to lay this issue over until December 17. Mr. Grady pointed out that the Retirement Office could present more information on voting security at the next meeting.

The Pension Board unanimously agreed to lay over the prior motion on the adoption of internet voting to the December 17, 2008 Pension Board meeting.

(d) Board Elections, February 2009 Procedures for Dual Elections

Mr. Grady reported that there were several issues with running a dual election last year, and the ERS will have the same issues as it had last year if it does not change its procedures. He stated last year's election did not run smoothly. He indicated that there will be two Pension Board seats up for election in February 2009: a seat with a two-year term to fill Mr. Parish's remaining term, and a seat with a three-year term for the position currently held by Mr. Felber. Mr. Grady asked the Board if there is a better way to run the election than to have the candidates declare for a certain seat, either the two- or three-year term.

Mr. Grady stated that there is no change to Rule 1020 per se. He indicated that the most simple method would be to have candidates submit nomination papers and not declare for a certain seat. He pointed out that one possible election method would have the top vote getter receive the longer term, while the runner up would receive the shorter term. He also discussed a primary election with a certain number of the candidates advancing to a runoff election. Mr. Huff agreed with Mr. Grady's comments, reiterating policy questions about how to run a double election.

Dr. Peck stated that there needs to be a primary and final election for the positions. Mr. Huff and Mr. Grady agreed that there should be a primary election if there are more than four candidates. Mr. Grady provided the example where

there are four or fewer candidates there will only be a final election and the candidate receiving the most votes will get the three-year term and the runner up will receive the two-year term. He also stated that if there are more than four candidates, there should be a primary election to get to the final election, which would be run the same as if there were only four or fewer candidates. Dr. Peck commented that if the Pension Board used a three candidate threshold instead of Mr. Grady's four candidate example, the elected Pension Board members will have a greater percentage of the vote.

The Pension Board unanimously agreed that in the next Pension Board member election the candidates will nominate themselves for both positions by submitting nomination papers, there will be a primary election only in the event four or more candidates are nominated followed by a runoff election with three candidates. There will be no runoff election if there are three or fewer candidates who submit nomination papers. The candidate receiving the highest number of votes in the final election will win the seat with the three-year term, while the runner up will receive the seat with the two-year term. Motion by Dr. Peck, seconded by Ms. Bedford.

(e) Waivers—Cheryl Berdan.

Mr. Schroeder reported that four benefits waivers were submitted to the Retirement Office by Cheryl Berdan, a receptionist in the County Executive's office.

The Pension Board unanimously agreed to accept the waivers presented by Ms. Berdan. Motion by Ms. Mayer, seconded by Ms. Bedford.

6. Investments

(a) Investment Manager Report – JPMorgan Asset Management

Mr. Ciaglo and Mr. Holihen distributed a report on JPMorgan Asset Management's ("JPMorgan") management of ERS's core fixed income strategy and presented it to the Pension Board on behalf of JPMorgan. Mr. Ciaglo introduced himself and Mr. Holihen and discussed their backgrounds. Mr. Holihen reviewed the JPMorgan fixed income team. He indicated that the team is very stable and has only had two retirements in the last ten years.

Mr. Holihen stated that this market is unlike anything he has seen in his 30 years in the industry. He pointed out that JPMorgan does not make big duration bets. He noted that the portfolio managers do not travel, but rather stay in the Columbus trading room to trade the portfolio.

Mr. Holihen reviewed the results of the portfolio and compared them to the Lehman Aggregate Bond Index. He indicated that JPMorgan invested in some non-agency mortgages. In response to a question from Ms. Bedford, Mr. Holihen stated that pools, mortgage backed securities and collateralized mortgage obligations are secured by Fannie Mae and Freddie Mac, which are both now backed by the federal government. He indicated that under TARP, some troubled mortgages will be bought by the government, which should bring back liquidity to the market. He reported that JPMorgan is working with homeowners to rework their loans and help stabilize the housing market.

In response to a question from Mr. Mawicke, Mr. Holihen stated that on the nonagency side, JPMorgan's mortgages are still AAA rated even after the sixth quarter since the subprime market crisis began. He noted the ERS JPMorgan portfolio's subprime exposure consists of less than six basis points, and that subprime portion is still rated AAA. He noted that mortgages from 2002, 2003 and 2004 still are reasonable value.

Mr. Holihen reviewed the year to date performance of the ERS portfolio. He discussed the factors that positively and negatively affected the portfolio. He indicated that JPMorgan would still like to hold Lehman Brothers fixed income securities. He stated that he believes the recovery value may be \$.60 on the dollar as opposed to the current recovery value of \$.08 on the dollar. He noted that the portfolio held a \$165,000 par value Washington Mutual bond. The team thought Washington Mutual would survive, but it did not and the bond was sold for \$.01 on the dollar. He indicated that the team did not expect the run on the bank and the subsequent FDIC takeover.

Mr. Holihen described the ERS portfolio statistics compared to the benchmark. He emphasized the differences between the ERS portfolio and the benchmark. He discussed the composition of the mortgage-backed securities by agencies. He reported that a majority of the mortgages owned by JPMorgan are CMOs, which JPMorgan believes has better interest rate exposure. He highlighted the nonagency mortgage backed securities portion of the ERS portfolio, noting that these securities are AAA rated. He described the credit rating composition of the portfolio and described the reasoning behind holding the sub-BBB rated securities. He requested the Pension Board's permission to continue to hold the Lehman Brothers fixed income securities currently held in the portfolio.

Mr. Holihen provided a fixed income market update. He noted that there were two interest rate cuts in October and he expects another 50 basis point cut by December 31, 2008. He stated that the velocity of money has slowed down, and the aggressive actions have not worked so far.

Mr. Holihen stated that the current unemployment rate is 6½%, but could go up to as high as 8-10%, which would be dramatic. He opined that the market might reach the bottom in the first half of 2009. He commented that he has never seen such huge intra-day swings, especially in blue chip stocks.

Mr. Holihen formally recommended that the Pension Board retain the Lehman Brothers fixed income securities currently held in the portfolio. In response to Mr. Grady's question, Ms. Finney-Cooke stated that the investment policy requires that the Pension Board approve holding investments that are below investment grade.

The Pension Board unanimously agreed, based on the recommendation by JPMorgan, to make an exception to the investment policy and retain the Lehman Brothers fixed income securities currently in the portfolio managed by JPMorgan despite the securities being rated below ERS's investment policy guidelines. Motion by Dr. Peck, seconded by Mr. Maier.

In response to a question from Dr. Peck regarding option adjusted spreads, Mr. Holihen stated that the spreads are becoming very wide. He explained that option adjusted spreads are increasing significantly for non-government agency securities. In response to a follow-up question from Dr. Peck, Mr. Holihen stated that spreads are driven mostly by risk and market demands and not prepayments.

In response to a question from the Chairman, Mr. Ciaglo stated that JPMorgan is a commercial bank, and not an investment bank, although it does have an investment banking arm. Mr. Ciaglo noted that JPMorgan's parent company is taking action to help resolve the mortgage crisis. He indicated that the Pension Board has access to JPMorgan through on-demand calls and conference calls.

(b) Mercer Report

Ms. Finney-Cooke stated that she would review the ERS performance report, the October Flash Report and the securities lending report. She noted that the performance report is slightly different than a Flash Report because it focuses more on portfolio attribution analysis. She indicated that the performance report is dated September 30, 2008.

Ms. Finney-Cooke commented that companies' balance sheets need to deleverage. She reported that banks and financial institutions are cleaning up the assets on their balance sheets. She stated that individuals are cleaning up their mortgages and high credit card balances. She indicated that lenders are cutting back on their credit lines. She noted that the housing market is not showing any signs of recovery and that house sales are at a 17-year low.

Ms. Finney-Cooke pointed out that the economy is squarely in a recession. She noted that the problems facing the U.S. economy are also global problems. She stated that the Federal Reserve has the potential to cut rates again by another 50 basis points to zero. She pointed out that there are not many additional monetary policy options left; thus, the federal government will most likely in the future use fiscal policy options such as tax cuts or rebates to further address the economic problems and boost economic growth. She indicated that recessions normally last about 18 months and that the economy has been in the current recession for 12 months. She stated that bull markets last much longer than bear markets. Ms. Finney-Cooke reviewed the performance of the domestic equity market for the year to date and discussed the performance by asset class. She reported on the performance of the fixed income market and the international equity market.

Ms. Finney-Cooke compared the ERS portfolio's performance to other public funds with assets greater than \$1 billion. She stated that ERS has a conservative portfolio and has outperformed its benchmark over every period for the last ten years. She indicated that this shows that ERS has benefited from active investment management over the long-term time periods.

Ms. Finney-Cooke reviewed the performance of ERS by asset class for the three-year period ended September 30, 2008 compared to the universe of public funds with greater than \$1 billion in assets. She discussed the asset allocation for each manager by asset class. She reported that all of ERS's asset managers are within the investment policy guidelines. She noted that Capital Guardian is performing well below its benchmark and that as a result, the current international small cap equity asset allocation is below the current investment policy level of four percent.

Ms. Finney-Cooke presented Mercer's Flash Report for October 2008. She stated that ERS had a market value of just over \$1.17 billion at the end of October and that ERS's market value declined by 12.4% during October, which outperformed the reference index by 90 basis points.

Ms. Finney-Cooke stated that the core fixed income portfolio was slightly out of balance with the investment policy due to the October market declines. She indicated that all asset classes declined during October. She pointed out that value outperformed growth in the large and small cap spaces. She reported that the only managers to outperform their benchmarks in October were Boston Partners, Westfield Capital Management and GMO.

Ms. Finney-Cooke explained that one of the concerns of rebalancing the fund is transaction costs. She recommended that ERS not rebalance at the current time due to the high transaction costs. She pointed out that the core fixed income asset allocation percentage will decrease and come back closer to the policy ranges because Mercer is recommending that ERS take the \$20 million needed for benefit

payments for the rest of the year from Mellon, a fixed income manager. She stated that due to the abnormal conditions, Mercer will revisit the possibility of rebalancing on a monthly basis.

Ms. Finney-Cooke indicated that her greatest area of concern is the international small cap equity space. She stated that the Pension Board needs to evaluate Capital Guardian to determine if there are any better options for this space. The Chairman noted that the Pension Board previously terminated Capital Guardian as its core international equity manager. Ms. Finney-Cooke pointed out that Capital Guardian's core international equity management team is a different team than the Capital Guardian management team that manages the international small cap equity space. Ms. Finney-Cooke briefly explained why Capital Guardian was underperforming. Dr. Peck stated that the Pension Board would like Mercer to take a closer look at Capital Guardian and Loomis Sayles and indicated that the Investment Committee will take a deeper look at Capital Guardian and Loomis Sayles at its next meeting. Ms. Bedford suggested that Mercer examine Capital Guardian's and Loomis Sayles' performance over the last five years and provide a report on the reasons behind their underperformance.

Ms. Finney-Cooke presented Mercer's Securities Lending Analysis report and explained the reasoning and methodology behind the report. She indicated that Mercer has seen many clients with losses well in excess of ERS's loss. She stated that it is prudent to document the process. She noted that a more robust discussion regarding securities lending will occur at the next Investment Committee meeting.

Ms. Finney-Cooke stated that ERS has realized actual losses from investments such as Sigma and it also has unrealized losses from discounted securities that are still being held in the portfolio. She pointed out that ERS also had indirect exposure through index funds that used securities lending. She explained that some of these losses are unrealized because the investments are not marked to market on a daily basis. She reviewed the approximate loss of \$2.2 million and explained the source of the loss. She pointed out that some of ERS's cash was invested in impaired assets, which means that the assets would be sold at a tremendous discount to their book value in today's market that suffers from a great deal of illiquidity. In response to a question from Mr. Maier, Ms. Finney-Cooke stated that The Bank of New York Mellon was following the investment policy statement.

Ms. Finney-Cooke explained ERS's viable options with respect to the securities lending program. She stated that ERS could remain in the securities lending program and pay off the realized losses and possibly the market could rebound and ERS could earn back the unrealized losses. She also reported that ERS could undergo a tactical redemption of certain loans under the current securities lending pool. The Chairman asked Dr. Peck if the Investment Committee could discuss

securities lending in greater depth at the December Investment Committee meeting.

Ms. Finney-Cooke reviewed the ERS portfolio's direct loan positions as of October 21, 2008. In response to Mr. Maier's question, Ms. Finney-Cooke stated that ERS's maximum securities lending exposure was \$40 million as of October 21, 2008. In response to the Chairman's question on collateralization, Ms. Finney-Cooke stated that ERS still owns the securities that are out on loan and ERS is subject to the decline in value of the securities on loan. Ms. Riley questioned whether there is any reason that ERS should consider ceasing participating in the securities lending program. Ms. Finney-Cooke stated that many thought that securities lending was a riskless activity and did not quite understand the securities lending process and the real risk associated with securities lending. She provided the example where Northern Trust's securities lending collateral pool had durations of four to five years before they could unwind or where their securities lending participants could unwind at the present time at fire sale prices. She indicated that there are several securities lending lawsuits pending and there will be many more lawsuits coming. She noted that The Bank of York Mellon is foregoing some securities lending revenue in some cases until clients recover 50% of their losses.

Ms. Bedford stated that securities lending is another way to earn alpha for ERS. Mr. Mawicke noted the securities lending is not a money manager issue, but is a layer above the investment manager. Dr. Peck indicated that the Investment Committee will discuss this issue in more detail at its next meeting.

(c) Investment Committee Report

Dr. Peck reported on the November 3, 2008 Investment Committee meeting. She stated that Mercer provided an update on the markets, which Ms. Finney-Cooke continued today. She indicated that the Investment Committee listened to a presentation on ETFs in an effort to become better educated on all available asset classes in preparation of the asset allocation study.

7. Vitech Project and Implementation Oversight Committee Reports

Mr. Pillai reported that Vitech has been rolled out for user-acceptance testing. He indicated that there has been significant progress with the project. He stated that his team is rolling out the pension module on November 17, which will run through the first week of December. He commented that training has gone very well and that he is very excited with the 92% achieved on the pretest of the V3 System. He pointed out that the 8% incorrect were very minor errors.

Mr. Pillai reported that the life and health module is running behind schedule compared to the pension module. He stated that the team is beginning unofficial testing of the V3 System, which will be followed by three waves of formal testing. He indicated that he is very optimistic about the life and health module being implemented on time, but noted that it is a high risk area and he is personally staying on top of this project to ensure it is completed on time.

Mr. Pillai commented that the adaptation to the new system will involve some kinks and it will take time to resolve all issues. He noted that the retirement calculator and defined benefit servers will be turned off because there will be no information feed. He stated that Mr. Malloy has documented numerous procedures. He indicated that many prior Retirement Office functions will be handled by the V3 System's self-service function. Ms. Mayr asked a question regarding training for members and retirees on the self-service system. Mr. Pillai reported that members will be able to check their own data on the new system. He pointed out that the Pension Board will need to make a decision about how much it wants members to be able to perform online with respect to pension options.

Mr. Arena stated that he is proud of Mr. Schroeder's work on the Vitech project. The Chairman thanked Mr. Arena, Mr. Pillai and Mr. Schroeder for their efforts on the Vitech implementation project. In response to the Chairman's request, Mr. Felber volunteered to be a member of the Vitech Implementation Oversight Committee.

8. Audit Committee Report

The Chairman stated that Mr. Huff presented overview materials of proxy voting and SWIB's proxy voting policy. The Chairman indicated he also brought proxy voting materials from NCPERS. The Chairman reviewed various common proxy voting issues that a proxy voting policy should cover. He reported that the Audit Committee did not make a formal recommendation regarding the adoption of proxy voting guidelines but noted that there will be a forthcoming recommendation for the Investment Committee to prepare a proposed set of proxy voting guidelines to provide to the investment managers. In response to a question from Dr. Peck, the Chairman stated that active and passive managers would both need to follow the proxy voting guidelines. The Chairman stated that he will make the NCPERS proxy materials available upon request.

9. Administrative Matters

(a) 2009 NCPERS Legislative Conference

The Chairman stated that there is a legislative conference sponsored by NCPERS on February 1 through 3, 2009 which will include guidance on the recently passed TARP program.

The Pension Board unanimously agreed to approve the attendance of any Pension Board member who wishes to attend the legislative conference sponsored by NCPERS on February 1 through 3, 2009. Motion by Ms. Beford seconded by Mr. Maier.

(b) Future Topics

The Chairman asked if there are any additions or deletions to the future Pension Board meeting topics list. Mr. Grady stated that the Chair and Vice Chair terms and selection process should be deleted from the list. The Pension Board added the review of Capital Guardian and Loomis Sayles to the Investment Committee agenda, along with a discussion of the securities lending program. The Chairman stated that the International Foundation of Employee Benefit Plans is sponsoring its investments conference in the spring and the information is posted on the Foundation's website.

10. Disability Pensions

(a) Earned Income Statements – Update on Rule 1010 Suspensions

Ms. Aikin stated that one of the two people who have had their benefits suspended has complied with the Rule 1010 requirements and has begun receiving benefits again, while the other person has not complied and is not receiving benefits.

(b) Disability Applications

(i) Geoffrey Kopf – ODR.

The Pension Board unanimously approved Mr. Kopf's ordinary disability application based upon the recommendation of the Medical Board. Motion by Mr. Mawicke, seconded by Mr. Maier.

(ii) Nanette Stuibler – ODR.

Mr. Grady stated that Ms. Stuibler applied for an ordinary disability after she ended employment with the County. He indicated that she resigned in June 2007 and she applied for an ordinary disability pension this year. He noted that she received satisfactory performance reviews and there are memos about her complaining about her health. He stated that she referred to her doctors inappropriately suggesting that she resign. Mr. Grady stated that the Pension Board will need to lay this item over to the next meeting if it wishes to hear from her because she is unavailable today. The Chairman stated that the Medical Board's report recommends approval of her disability application. Mr. Mawicke discussed several issues regarding her

disability materials. Dr. Peck suggested discussing this issue in closed session.

Ms. Bedford moved that the Pension Board adjourn into closed session under the provisions of Wisconsin Statutes, section 19.85(1)(e) with regard to item 11 for the conducting of specified public business whenever competitive or bargaining reasons required a closed session, under section 19.85(1)(f) with regard to item 10(b)(ii) for considering the financial, medical, social or personal histories of specific persons which, if discussed in public, would be likely to have a substantial adverse effect upon the reputation of any person referred to in such histories and under section 19.85(1)(g), with regard to items 12, 13 and 16 for the purpose of the Board receiving oral or written advice from legal counsel concerning strategy to be adopted with respect to pending or possible litigation. At the conclusion of the closed session, the Board may reconvene in open session to take whatever actions it may deem necessary concerning these matters.

The Pension Board voted by roll call vote 7-0 to enter into closed session to discuss agenda items 10(b)(ii), 11, 12, 13 and 16.

In open session, the Pension Board unanimously agreed to lay over reviewing Ms. Stuiber's ordinary disability application to a future Pension Board meeting. Motion by Mr. Felber, seconded by Ms. Bedford.

11. Fiduciary Insurance Coverage

The Pension Board discussed fiduciary insurance coverage in closed session.

12. Fault or Delinquency Determination – Rule 807 – Lillie Murphy

In closed session, the Pension Board discussed whether Ms. Murphy's termination was due to fault or delinquency.

Upon returning to open session, the Pension Board unanimously agreed to deny Ms. Murphy's application for deferred vested pension benefits based upon a finding of fact that her termination was due to fault or delinquency pursuant to the standards set forth in Rule 807 because her felony conviction was substantially related to the circumstances of her former job with the County. Motion by Ms. Mayr, seconded by Mr. Maier.

13. Request to Name Multiple Beneficiaries – Joan Hall

In closed session, the Pension Board discussed Ms. Hall's request to name multiple beneficiaries.

In open session, the Pension Board unanimously agreed to deny Ms. Hall's request to name multiple beneficiaries. Motion by Dr. Peck, seconded by Ms. Bedford.

14. Pending Litigation

The Pension Board noted that there are no updates in the pending litigation: *Milwaukee County, et al. v. Mercer Human Resource Consulting*.

15. Report on Special Investigation

In open session, the Pension Board noted that there is nothing new to report regarding the special investigation.

16. Report on Compliance Review

The Board discussed the report on compliance review in closed session.

17. Adjournment

The meeting adjourned at 2:00 p.m.

Submitted by Steven D. Huff
Secretary of the Pension Board